

May 29, 2002

VIA ELECTRONIC FILING

Hon. Magalie Roman Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: Avista Corporation, et al., No. RT01- 35

Dear Secretary Salas:

On behalf of PNGC Power, enclosed for filing in the above captioned proceedings please find the *Protest and Comments of PNGC Power*.

Thank you for your assistance in this matter. Do not hesitate to call me if I may be of any assistance.

Sincerely,

/s/ Aleka Scott

Aleka Scott
Transmission Manager for PNGC Power

Enclosures

cc: RT01-35 Service List

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Avista Corporation,)	
)	
Bonneville Power Administration,)	
)	
Idaho Power Company,)	
)	
Montana Power Company,)	
)	Docket No. RT01 -35-000
Nevada Power Company,)	
)	
PacifiCorp,)	
)	
Portland General Electric Company,)	
)	
Puget Sound Energy, Inc., and)	
)	
Sierra Pacific Power Company)	

**PROTEST and COMMENTS OF
PNGC POWER TO
THE PROPOSED RT WEST
“STAGE 2 FILING AND REQUEST FOR
DECLARATORY ORDER PURSUANT TO ORDER 2000”**

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I. Protest of PNGC Power

PNGC Power hereby protests in part the March 29, 2002, “Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000”, and the “Errata Filing Relating to the Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000” (April 22, 2002) (collectively, the “Stage 2 Filing”) submitted by Avista Corporation, Bonneville Power Administration, Idaho Power Company, The Montana Power Company, Nevada Power Company, PacifiCorp, Portland General Electric Company and Sierra Pacific Power Company (collectively, the Filing Utilities). PNGC Power files this Protest and Comments pursuant to Rule 211 of the Commission's Rules of Practice and Procedure, 18 CFR §§ 385.211, and pursuant to the Commission's Notice of Extension of Time dated April 17, 2002, in these dockets.

PNGC Power is a generation and transmission cooperative with 15 rural electric distribution cooperative members¹ serving customers in seven states (OR, WA, ID, MT, UT, NV, and WY.) PNGC Power's members are dependent on the transmission systems of BPA and other Northwest transmission providers for delivery of federal and non-federal power to their distribution systems. PNGC Power holds the BPA Network Transmission Agreement that provides for the delivery of all of four members' power needs. PNGC Power's Motion to

¹ PNGC Power's members are: Blachly-Lane Electric Cooperative, Eugene Oregon; Central Electric Cooperative, Inc. Redmond, Oregon; Clearwater Power Company, Lewiston, Idaho; Consumers Power, Inc. Philomath, Oregon; Coos Bay-Curry Electric Cooperative, Inc., Port Orford, Oregon; Douglas Electric Cooperative, Roseburg Oregon; Fall River Rural Electric Cooperative, Inc., Ashton Idaho; Lane Electric Cooperative, Inc., Eugene Oregon; Lost River Electric Cooperative, Mackay, Idaho; Northern Lights, Inc., Sagle, Idaho; Okanogan County Electric Cooperative, Inc., Winthrop Washington; Salmon River Electric Cooperative, Inc., Challis, Idaho; Raft River Rural Electric Cooperative, Inc., Malta Idaho; Umatilla Electric Cooperative, Hermiston, Oregon; West Oregon Electric Cooperative, Inc., Vernonia Oregon.

Intervene in this proceeding was granted by Commission Order on April 26, 2001; *see Avista Corp.*, 95 FERC ¶61,114 at 61,323 (2001).

II. Introduction and Summary of Positions

Since passage of the National Energy Policy Act in 1992, PNGC Power has been heavily involved in all of the Pacific Northwest transmission restructuring efforts to date, up to and including on-going discussions of RTOWest. We have believed a regional transmission organization has the potential for great reliability and efficiency benefits for the Pacific Northwest and, we have consistently advocated for such an independent region transmission system in order to realize these benefits and to eliminate pancake rates for rural customers.

However, this RTOWest Stage 2 filing has some serious flaws which must be corrected before the benefits of an RTO can accrue to PNGC Power's members.

Facilities Inclusion

From PNGC Power's point of view, the main flaw in this RTOWest Stage 2 filing is in the treatment of facilities that have been included or not included in RTOWest (known as the Facilities Inclusion issue). Many transmission facilities needed for delivery of bulk power to PNGC Power's members have been left out of the RTOWest filing all together. Other facilities are included but only for pricing and "not for control". "Control" in this context includes planning and expansion, scheduling, and operations. Yet other facilities have been put in a class of their own, "Certain Distribution Facilities." These are facilities needed by the RTO to manage congestion, to plan the transmission system to ensure long-term reliability, and the RTO

must have a real-time visibility of these facilities in ensuring short-term reliability. Creation of this special class of facilities is an attempt to limit RTO West's authority and scope and should be rejected by the Commission.

In addition, there is much ambiguity regarding Facilities Inclusion as each part of the Stage 2 filings slices and dices the facilities in a slightly different way using different names. Thus, it is difficult to know how the description of the facilities included in the Stage 2 Filing Letter, the various terms for facilities in Transmission Operating Agreement (TOA, Attachment A of the Stage 2 Filing Letter), facilities terms in the Planning Proposal (Attachment I to the Stage 2 Filing) and the List of Facilities (Attachment D to the Stage 2 Filing Letter) relate to each other and to the authorities the RTO is alleged to have.

We request that FERC not confirm its previous determination that the proposed scope of RTO West satisfies the characteristic of a regional transmission organization as set forth in 18 C.F.R. § 35.34(j)(2).

Planning and Expansion

The planning and expansion process described is a robust, positive, least-cost method which gives RTO West the authority in need to address transmission adequacy and the failure of the market to cure congestion management problems in limited circumstances. The shortcoming is that this elegant process applies to only a subset of the facilities needed for transmission service. The lack of inclusion of needed facilities leads to a major shortcoming in the planning proposal filed as Attachment I to the Stage 2 filing. We request that the Commission not issue a

declaratory order finding that the planning and expansion proposal for RTOWest satisfies the planning and expansion function of a regional transmission organization as set forth in 18 C.F.R. §35.34(k)(6).

Congestion Management

The Congestion Management (CM) proposal does address congestion management from a regional perspective. The electrical system in the RTOWest geographic area is considerably different from the power system on the East Coast, as well as from the power system in California and the Desert Southwest. The dominance of the hydro system in the RTOWest geographic area, and the multi-use nature of the hydro system make it a poor candidate for use with FERC's SMD concepts. The RTOWest Congestion Management proposal, with the modifications that we will suggest, should be accepted by FERC as a regionally developed alternative to SMD.

PNGC Power protests the use of market clearing prices in the CM proposal and proposes that this part of the proposal be modified to pay "as bid" prices when clearing congestion and redispatching. Use of market clearing prices for CM will unnecessarily raise the cost of congestion management to all users and will result in enormous potential for exploitive gaming. We request that FERC order modification of this part of the Congestion Management proposal.

SchedulingCoordinator

PNGC Power is also concerned that the lack of inclusion of adequate facilities makes the Scheduling Coordinator Agreement unworkable and may require extensive and expensive new metering. Further, the credit requirements which will eventually be developed need to take into account the specific situation of the region's cooperative utilities and their ability to raise rates from their member/owners. Further, the Scheduling Coordinator Agreement is always trumped by the tariff, which is not included with this filing and can be amended through time. The Scheduling Coordinator Agreement is not ripe for review or approval by FERC.

Support of Northwest Requirements Utilities Comments

PNGC Power shares all of the concern that the Northwest Requirements Utilities (NRU) discuss in their protest and supports NRU's protest by this reference.

Particularly, we support NRU's concern for preservation of existing transmission rights. PNGC Power has made long-term resource decisions based on its long-term transmission rights. It would cause significant economic harm to PNGC Power's member should the transportation half of the PNGC Power's long-term resource package. FERC should honor the regional consensus contained in this Stage 2 filing regarding the treatment of existing transmission rights.

PNGC Power also supports NRU's protest in its characterization of that portion of the Stage 2 Filing as harmful to transmission customers and thus violating the public interest. PNGC Power also agrees with NRU that the Stage 2 filing is incomplete and should not receive the approvals asked for by the Filing Utilities.

III. Facilities Inclusion

In its April 26, 2001 Order on RTOWest, the Commission instructed the Filing Utilities in plain English that “most or all of the transmission facilities in the regions should be operated by the RTO, as well as those necessary for operation control and management of constrained paths, regardless of voltage.”⁹⁵ FERC at 61,345. Rather than comply with this direct and straightforward guidance, the Filing Utilities have instead chosen to obfuscate, confuse, and otherwise muddle the facilities inclusion issue by parsing facilities in so many different ways that it is unclear what authority the RTO has for any particular facility.

While the Filing Utilities have attempted to dress up their Facilities Inclusion section to appear inclusive, vital facilities needed for transmission of wholesale power to wholesale utility buyers remain outside this RTOWest Stage 2 Filing. Others appear to be included but on closer examination, are not included for RTOWest “control”, i.e. operations, planning and expansion, and dispute resolution.

There are probably many reasons for the continuing lack of inclusion of these facilities: pressure from state -regulators to retain as many facilities as possible for “retail jurisdiction”, fear of retail wheeling and power customer loss, pure reluctance to allow a new authority (RTOWest) to interfere in a Transmission Owner’s (TO) system, as well as greater ability of wholesale customers to allege discrimination against the TO vis -à-vis retail service. Whatever the reason,

the result is the same: substantial parts of a TO's transmission system needed for wholesale transmission are not included in RTOWest.

a. Inconsistent use of facilities terms creates ambiguity and confusion that hides a lack of real authority of RTOWest over significant portions of the transmission system.

There are four sections of the RTOWest Stage 2 filing which deal heavily with facilities: section F.2.b. of the Stage 2 Filing Letter, the Transmission Operating Agreement (TOA, Attachment A to the Stage 2 Filing Letter), the List of Facilities (Attachment D to the Stage 2 Filing Letter,) and the Description of Planning and Expansion Processes (Attachment I to the Stage 2 Filing Letter). Each of these documents uses different terms for various facilities. This inconsistent use of facilities terms creates ambiguity and confusion hiding a lack of real authority of RTOWest over significant portions of the transmission system.

The Stage 2 Filing Letter lays out a complicated and matrix of 4 different types of facilities that will be included in RTOWest:

Class A - RTOWest Controlled Facilities

Class B - Transmission Facilities Other than RTOWest controlled

Class C - Certain Distribution Facilities

Class D - Local Distribution Facilities

The TOA, however, uses different nomenclature for delineating facilities. Exhibit A to the TOA, Schedule of Definitions contains the following facilities definitions: “RTOWest Controlled Transmission Facilities”, “RTOWest Critical Control Facilities”, “RTOWest Transmission System”, “RTOWest Controlled Transmission System”, “Transmission Facilities”, “Certain Distribution Facilities”, and “Congestion Management Assets”. Additionally, there is frequent reference to the non-defined term “not RTOWest Controlled Transmission Facilities.” All these terms are used in reference to RTOWest’s authorities over facilities.

Attachment D to the Stage 2 filing, List of Transmission Facilities, refers to the following facilities categories: “In for Control”, “Not in for Control,” and “Certain Distribution Facilities” which are in for control but not for pricing. It is not clear how the facilities lists relate to the definitions in the TOA or the description of facilities (Class A – D) in the Stage 2 Filing Letter. This fine-dicing of facilities hides a lack of authority of the RTO over substantial portions of the transmission system of the RTOWest area.

Despite this confusion, one thing is clear however. In aggregate, there are hundreds of transmission lines that are not “in for control” and therefore outside of any real authority the RTO may have. *FERC should insist on a concise, internally consistent, set of facilities and definitions which includes all facilities need to reach wholesale utility customers.* The TOA should use these terms. Obfuscation of the facilities inclusion issue through multiple and inconsistent definitions is a poor start for an RTO and does not give the potential users any comfort. This confusion should be addressed clearly and immediately.

b. Certain Distribution Facilities should be Reclassified as RTOWest Controlled Facilities

The RTOWest Stage 2 filing contains a designation of facilities known as Certain Distribution Facilities. This term is used in the TOA to exempt such facilities from parts of RTOWest's authority even though these facilities are necessary for congestion management, planning, and real-time visibility for reliability. The set-up is fraught with ambiguities and is only a cover for not fully turning over facilities to RTOWest. Class C facilities, regardless of their characterization as distribution pursuant to an agency State or federal order, are clearly needed by the RTOWest to manage congestion, and to effect wholesale transmission of bulk power. In recognition of this, RTOWest maintains "certain operations, maintenance, and planning authority over these facilities to enable it to provide wholesale transmission services and manage congestion on such facilities." This characterization clearly makes these facilities synonymous with Class A facilities.

However, in the TOA, the Filing Utilities have retained the "ultimate authority for local distribution planning and expansion on these facilities, but RTOWest will have planning and expansion on these facilities for transmission adequacy and congestion management purposes." Thus, this filing has established two organizations, RTOWest and the Transmission Owner (TO), with two different charters, both retaining ultimate planning and expansion authority over the same facilities but for different purposes. Not only does this create confusion; it completely defeats the notion of one-stop shopping for transmission users. One-stop shopping does not refer only to the making of a service request, but to all the activities that go along with obtaining and

managing transmission. With the inclusion of the artificial distinction of “Certain Distribution Facilities”, the Filing Utilities have created a multitude of forums which transmission users must participate, instead of narrowing them down to one forum – one of the original intents of an RTO

This artificial separation of transmission facilities also creates additional regulatory burden. Instead of following two rate cases for transmission pricing, the TO’s at FERC, and the RTO’s at FERC, the transmission customer must also follow the TO’s distribution tariff at FERC, and the TO’s state tariffs (to insure against double collection or improper allocation of “certain distribution facilities” costs.) Further, it is unclear whose standards will be used in any dispute (RTO’s or TO’s). This ambiguity may also create another way for the TO to delay, obstruct, or argue for a change of dispute venue.

For all of the above reasons, we urge FERC to reject the “Certain Distribution Facility” classification and require that these facilities be included in Class A, RTO West Controlled Facilities.

c. Facilities needed to deliver wholesale power to existing wholesale utilities are not included on any RTO list

There is a whole set of facilities which does not appear on either list – facilities used to deliver wholesale power to wholesale customers. Many of PNGC Power’s members are embedded within the transmission systems of one or more RTO West filing IOU. Many of the IOU’s

facilities needed to reach PNGC Power's wholesale customers simply didn't make the cut onto any RTO facilities list. Without the inclusion of these facilities, transmission users really have no one-stop shopping, no guarantee of transmission adequacy, and inadequate protection and forums for disputes regarding this section of the transmission system. This further balkanization of the transmission system frustrates the Commission's goal of bringing buyers and sellers together in the market. It does this by increasing transaction costs and time, causing a proliferation of regulatory and planning forums, and potentially leaving residual market power with the transmission owner.

Class D facilities are characterized by the Filing Utilities as "distribution facilities over which "wholesale access is provided" (Planning Document, Footnote 41, page 34). The same problem of proliferation of regulatory forums arises through the arbitrary creation of a Class D as is described for Certain Distribution Facilities, multiple planning forums, multiple rate cases and multiple jurisdictions. The matter is further muddled, however, by the permissive as opposed to mandatory language regarding dispute resolution for Class D facilities. Footnote 10 to the "Summary of Facilities Proposal" which begins on page 35 of the Stage 2 Filing Letter states that "The RTO West dispute resolution process **may** (emphasis added) be used to resolve disputes concerning wholesale access to, of the adequacy of wholesale service over, these facilities."

If utility changes its switching configuration, lines not currently needed to complete bulk power deliveries might need to be included in the listing as well. At PNGC Power, we have made considerable effort to come up with a complete listing of lines and stations needed to deliver bulk power to wholesale utility customers. However, without intimate knowledge of the

TO's system and switching protocols, this job is very difficult and requires the cooperation of the Transmission Owners.

We believe that the Filing Utilities² in aggregate have omitted hundreds of lines that are necessary for transmission of wholesale power to wholesale utilities and for RTO West Planning. Many of these lines, including 115kV, 138kV, 161kV and 230kV lines, are listed in the "Not in for Control" listing on the facilities lists. Others are simply not on any RTO Facilities List. *We ask FERC to order the TO's to produce one listing of all facilities in their system needed for FERC jurisdictional wholesale transfers, regardless of classification between distribution and transmission and regardless of voltage* .

Additionally, the RTO West filings should include a relatively simple process to argue for further inclusion of lines which may be implicated in wholesale service in the future due to changing configuration of a PTO's system or the TU's load requirements.

We urge the Commission to take this request seriously. As small utilities that are often embedded within IOU transmission systems, we often receive poor service, have less maintenance, longer outages, or non-preferential restoration after outages. PNGC Power has supported the RTO process because of its promise of a level transmission playing field. Getting all the facilities needed to deliver wholesale power to our wholesale utilities into the RTO in the first instance is critical to our support of further RTO activities.

²BPA has submitted all lines necessary for wholesale delivery to wholesale utility customers. It is the IOU Filing Utilities who have withheld facilities or marked them in Attachment D to the Stage 2 Filing letter as "Not in for control".

BPA has submitted all lines necessary for wholesale delivery to wholesale utility customers. It is the IOU Filing Utilities who have withheld facilities or marked them in Attachment D to the Stage 2 Filing letter as "Not in for control".

FERC's plain language in the previous RTO order³ was somehow unclear to the IOU's who are part of the RTOWest filing. Without inclusion of these facilities at this time, our status as second class customers will be memorialized into the RTOWest system. We ask FERC to take this opportunity to order the IOU's to include all facilities (substations and wires) under RTO authority for planning, expansion, operations, and pricing that are needed to meet the RTO's wholesale power delivery obligations to wholesale utility customers. Without such action, FERC should not confirm its determination that the scope of RTOWest is adequate.

IV. Description of Planning and Expansion Process Comments

a. **Planning and Expansion Process is robust but applies to a very limited set of facilities**

The Description of the Planning and Expansion Process (Planning Proposal), Attachment I to the Stage 2 Filing Letter, is a good news/bad news type of proposal. The good news is that the RTOWest Stage 2 Planning proposal is greatly improved over previous versions. If properly implemented it will include a robust least-cost planning process that will provide information on transmission and non-transmission alternatives to the transmission arena. The planning and expansion processes described will facilitate possible participants coming together on a

³In its April 26, 2001 Order on RTOWest, the Commission instructed the Filing Utilities in plain English that "most or all of the transmission facilities in the regions should be operated by the RTO, as well as those necessary for operation control and management of constrained paths, regardless of voltage." 95 FERC at 61,345.

subscription basis to fund projects. The Planning Proposal gives RTOWest the authority to expand the transmission system under certain circumstances.

The bad news is that proposed robust process applies to only a subset of the facilities needed to run the RTOWest system. (See Facilities Inclusion discussion directly above.)

Because of the enormously technical, complex, and multifaceted nature of transmission problems, there are many issues which need to be brought together in order to focus on workable solutions. Giving the RTO abundant authority over all the facilities needed for wholesale service to wholesale utilities, adequate tools to perform the planning and expansion function, and adequate authority to take action when the market or a TO fails to expand the transmission system, are critical authorities necessary to the proper functioning of a reliable transmission system. The planning and expansion function is a casualty of the balkanization of the transmission system resulting from the manner in which the Filing Utilities propose to treat facilities inclusion.

As we have noted many times in our previous submittals, both to FERC and to Congress⁴, the barriers to entry in the transmission expansion arena are very high. RTOWest must provide open, visible, comprehensive transmission planning that can be utilized by the market. And, because there are a plethora of reasons why the market for transmission expansion might fail, RTOWest must have the authority to get the system expanded if needed.

⁴Testimony of Aleka Scott, Oversight Hearing on Maximizing Power Generation at Federal Facilities before the U.S. House of Representatives' Committee on Resources, April 26, 2001. Also Briefing of the Northwest Congressional Energy Caucus on March 13, 2002.

Almost all of the shortcomings of the Planning proposal arise from lack of authority of RTOWest over much of the transmission facilities in the RTOWest area. In short, the process for planning an expansion of RTOWest Controlled Transmission Facilities is good, comprehensive, and robust. But, because of the tortuous distinctions drawn regarding other transmission facilities, the planning proposal falls woefully short as it simply does not apply to only a large portion of each TO's transmission system⁵. This undermines the entire planning process.

b. Dispute Resolution in the Planning and Expansion Proposal is limited to TOA

parties and matters

Another serious flaw in the Planning proposal is the use of dispute resolution. The only dispute resolution process is contained in the TOA Section 20 of the TOA, Dispute Resolution, is limited to disputes arising under the TOA. This effectively limits use of this section of parties to the TOA. Thus, it is not clear how other parties, like transmission customers, will access dispute resolution in planning and other processes. The Filing Utilities should clarify that the dispute resolution section of the TOA, Section 20, is for use wherever dispute resolution is referenced and is to be used by other parties, not just TOA parties.

Exhibit P to the TOA, Dispute Resolution Process, lays out the process for dispute resolution regarding "Disputes pursuant to the RTOWest Tariff concerning Wholesale Access to, or the adequacy of wholesale service over, Facilities that are not RTOWest Controlled Facilities."

⁵BPA has included all of its facilities as "RTOWest Controlled Facilities" with the exception of some generator step-up facilities. All of the IOUs have left significant portions of their transmission systems

This exhibit requires the Transmission Owner to be a respondent in the above matters “pursuant to an RTOWest Arbitration Process”. However, the RTOWest Arbitration Process is not defined. It is not known what the scope of such disputes can be and who can bring such disputes. If the arbitration process described in the TOA, section 20, Dispute Resolution is intended, then disputes would be limited to TOA matters and could only be brought by TOA parties. This would exclude transmission customers from bringing disputes. The references in Exhibit P to the TOA are to “Transmission Facilities” and possibly “Certain Distribution Facilities” and would appear to exclude Exhibit D facilities from any such dispute.

Further and overtly egregious is the limitation in section 5 of Part I of Exhibit P.

“Nothing in this Exhibit shall entitle any party (other than RTOWest) to dispute whether any part of the Participating Transmission Owner’s Electric System has incorrectly been included with or excluded from the Transmission Facilities listed on Exhibit B or the RTOWest Controlled Facilities listed on Exhibit D or Certain Distribution Facilities listed on Exhibit N.”

Thus, even if a TO purposely excludes facilities from their proper category, there appears to be no form of appeal to rectify this exclusion.

All facilities needed to deliver wholesale power to wholesale utilities should be under RTO control and authority for dispute resolution. Mandatory dispute resolutions should be available to all transmission customers as well as to signers of the TOA. The scope should be broad enough to cover planning, operations, pricing, and whether all necessary facilities are under RTO authority. FERC should not grant the relief requested by the Filing Utilities until these matters are corrected.

out of the RTOWest filing, or classified them as “Not in for control”.

IV. Congestion Management Proposal

PNGC Power is generally supportive of the Filing Utilities Congestion Management (CM) approach that includes an option to preserve existing transmission rights. The RTOWest proposal for retaining transmission rights through non-conversion of existing contracts and Catalogued Transmission Rights (CTR) is an essential part of RTOWest congestion management proposal. Many important details of preserving existing transmission rights (enumerated in Section D of the CM proposal) have not been provided in this filing. These important details plus others must be filled in prior to PNGC Power's endorsement of the proposal as a whole.

A strict implementation of the Commission Standard Market Design on the RTO system would cause a complete lack of support and indeed, vociferous opposition to the RTOWest proposal, from PNGC Power. Approval of those parts of the congestion management proposal that preserve existing transmission rights, and those that make a congestion management system workable for the RTOWest area are fundamental to PNGC Power's general support of the entire RTOWest proposal. Our support of the RTOWest proposal in general, and the CM proposal in specific is premised on the acceptance of the CM proposal as a regional alternative to the Standard Market Design.

a. Market Clearing Prices should not be used in CM Proposal; "As Bid" prices are appropriate

One important area of the CM proposal that requires modification is the use of “market clearing prices” in the CM model. In all applications, voluntary incremental (Inc) and decremental (Dec) bidders should be paid the actual price they bid, not the market clearing price.

In the two-day settlement model described in the RTOWest CM proposal, once the Day-Ahead process is completed, those schedules that have been accepted become financially firm.

However, in the West many path ratings are likely to change before the active hour but after the Day-Ahead schedules become financially firm. Congestion resulting from changes in path ratings that occur after close of Day-Ahead and are not attributable to any party, are resolved by RTOWest and the cost of such congestion is uplifted by RTOWest. In the West, path rating changes after Day-Ahead occur frequently due to events like ambient temperature changes, range or forest fires, lightning storm proximity to transmission lines, and other events beyond the control of the control area operator. Derating of operational transfer capability based on these factors occurs far more frequently in the West than in the Eastern Interconnection due to the long distance traversed by many of the major transmission lines. Marginal bus prices, intended to send price signals to path users, should not be used when the resulting congestion cost is uplifted by the RTO. The use of market clearing prices to clear this type of congestion will cost the entire system more than is necessary and is not in the public interest.

Additionally, there may be a need to require cost-based Inc and Dec bids to mitigate market power in cases where a transmission owner can schedule outages or take other actions that benefit its affiliate.

Lastly, PNGC Power believes that using a market clearing price in the CM proposal will greatly increase the likelihood of gaming in the markets. Recent gaming strategies that have come to the public's attention have shined a light on the dangers and market manipulation inherent in the use of a market clearing price mechanism.

b. PNGC Power supports the Filing Utilities' rationale for not using pure LMP model in RTOWest

PNGC Power supports the Filing Utilities description (Attachment F to the Stage 2 Filing Letter, Description of Congestion Management Proposal, section C.1) of why a pure locational marginal price (LMP) congestion management approach won't work with the Northwest hydro system. The combination of limited fuel (hydro) resources and non-independence (upstream hydro project controls water to downstream project) makes a pure LMP model impractical in the RTOWest area.

c. Many more details needed before Congestion Management can be fully evaluated and supported

PNGC Power believes the RTOWest Congestion Management Market Design is, in general, a good compromise for the Northwest. However, as stated above, many important details have not been provided in this filing. We believe that, at least initially, requiring Scheduling Coordinators to submit balanced schedules will ease the RTOWest startup complexity and reliability risk. PNGC Power agrees with the Filing Utilities that the use of Financial Transmission Options

(FTO) rather than Financial Obligations is more appropriate for the Northwest because relying on FTOs will increase the likelihood that schedule requests will correspond more closely to the physical capability of the transmission system.

For existing transmission contract holders the Catalogued Transmission Rights (CTR) concept is an appropriate compromise. Many hours were spent in collaborative process meetings to establish a method that would preserve existing transmission rights without overallocating the transmission paths. Most existing transmission contracts have scheduling flexibilities that if literally converted to FTOs, would over-allocate many transmission paths. Allowing the RTO to manage the diversity inherent in existing contracts, and relied on by the transmission providers to make the existing system work, is a good method to honor existing rights while overlaying the new CM system for those who choose to convert to new service.

Additionally, the Filing Utilities have included the list of items to be worked on as Section D of the CM proposal.

D. Further Work To Develop Details.

This paper is intended to be a high-level description of the key elements of the congestion management proposal for RTOWest. The Filing Utilities propose to do further detailed work in the following areas:

- *ancillary services;*
- *the scheduling and settlement processes (including such matters as how losses should be factored into scheduling; dynamic scheduling; equitable means for accommodating intermittent resources; and the rules and procedures for dealing with planned and forced facilities outages);*
- *recommendations concerning use of nodes and hubs that subsume more than one bus;*

- *the FTO auction process;*
- *coordinated operation of phase shifters and DC ties; and*
- *testing and validation of the congestion management proposal.*

In addition to the bulleted items above PNGC Power adds the following as items which must be fleshed out before a final verdict on the CM proposal can be arrived at:

- Method for dealing with path deratings after close of Day-Ahead.

The Western grid is subject to highly variable hourly path capacity based on generating patterns, voltage support, ambient temperatures, loop flow, remedial actions schemes, line outages, range and forest fires, lightning storms and other factors. For example, BPA will derate a transmission line in real-time based on the proximity of a lightning storm or a range fire. These ratings change are frequent and not known at the time that Day-Ahead schedules become financially firm. This is a characteristic of a transmission grid in a sparsely populated area with long transmission lines such as the West. Many of the variables affecting path capacity are not known at the close of Day-Ahead scheduling. Today the risk of path derating is borne by the path user because the schedules on the path are curtailed. This Congestion Management proposal will transfer this path derating risk to the RTO and will result in either significant uplift charges or long term path scheduling capacity derating (fewer FTOs available) to avoid uplift

charges. Neither of these options will be a positive outcome for RTO West. Because of the frequency of these path deratings, the RTO West CM proposal needs to explicitly deal with this problem.

- Mid-Columbia Hourly Coordination Agreement and Pacific Northwest Coordination Agreement transmission.
- Public and Northwest preference rights.

All of the bulleted items above will require significant work. PNGC Power will continue to work collaboratively with the Filing Utilities to fully develop the CM proposal and the tariff implementing such CM model.

V. Scheduling Coordinator submission is incomplete and should not be approved

Although the Scheduling Coordinator Agreement (SCA) is a key document, very little information has been provided, the Scheduling Coordinator Agreement is a key document yet is considered a work in progress and is not approved by any Filing Utility⁶. The Scheduling

⁶From page 24 of the Stage 2 Filing Letter:

“3. Informational Draft of Proposed Scheduling Coordinator Agreement At the urging of stakeholders who view the Scheduling Coordinator Agreement as a key document governing their interactions with RTO West, a draft proposed agreement, together with additional related materials, has been included with this filing for informational purposes. See Attachments J1 through J6. The draft Scheduling Coordinator Agreement was prepared by Filing Utility representatives and is still a work in progress. None of the Filing Utilities have approved the draft.”

Coordinator Agreement is even less clear because the Tariff will override the Scheduling Coordinator Agreement⁷ and the Tariff has not been provided or discussed in collaborative forums. The Tariff is defined to include Protocols, Business Practices and Operating Procedures.

PNGC Power has major concerns with the Scheduling Coordinator requirements in the areas of credit and metering. We are also concerned that the requirements may be soonerous as to restrict to a single Scheduling Coordinator. FERC should require that wholesale customers have the ability to either choose a Scheduling Coordinator or be one.

Metering Requirements

The Scheduling Coordinator Certification Protocol essentially requires that a Scheduling Coordinator have metering for each customer that can be used to measure hourly requirements on the RTOWest system for energy deliveries and ancillary services.⁸

This requirement cannot be met at a reasonable cost because some Filing Utilities refuse to turn over all facilities used for wholesale service to RTOWest. This leaves wholesale customers points of delivery imbedded in Filing Utility distribution systems, some at 115kV and higher

⁷From page 4, RTOWEST SCHEDULING COORDINATOR AGREEMENT ATTACHMENT J1:

“9. RTOWest Tariff.

The RTOWest Tariff, as it may be amended from time to time, is incorporated herein and made a part thereof. In the event of a conflict between the terms and conditions of this Agreement and any other terms and conditions set forth in the RTOWest Tariff, the terms and conditions of the RTOWest Tariff shall prevail.”

⁸From page 1, SCHEDULING COORDINATOR APPLICATION AND CERTIFICATION PROTOCOL ATTACHMENT J2:

voltages. Switching on the facilities not turned over to RTOWest and not controlled by RTOWest can cause the wholesale customer points of delivery to be served over different electrical paths. It will not be possible to cost effectively install metering that will “identify which Scheduling Coordinator is responsible for each megawatt of imbalance energy at each point of delivery” for example. Losses and other ancillary services will also be difficult to allocate to the correct Scheduling Coordinator as well. FERC should require that all facilities used for wholesale service be turned over to RTOWest.

Credit Requirements

The credit ratings systems used by IOUs do not work for consumer owned utilities. Consumer owned utilities have the ability to raise rates and have an excellent history of creditworthiness. On the other hand, IOUs and marketers with good credit ratings have gone bankrupt (PG&E and Enron). We agree that there is a need for close monitoring of creditworthiness. PNGC Power and its members that have the ability to raise customer rates. Any credit requirements imposed by RTOWest should take into account the particular entities requesting credit and consider their ability to raise rates.

For all of these reasons, the Scheduling Coordinator Agreement is not ripe for approval by FERC.

VII. **Conclusion**

“RTOWest must be able to identify which Scheduling Coordinator is responsible for each megawatt of imbalance energy at each point of delivery.”

PNGC Power asks the commission to carefully consider our comments in this docket. We do not believe that the relief requested by the Filing Utilities should be granted without the changes outlined in our comments and the comments of NRU.

We respectfully ask that the Commission should require all facilities needed to deliver wholesale power to wholesale utilities be included under RTOWest's authority for planning and expansion, operations, pricing and dispute resolution. As part of this request, the TOA and other descriptive documents should be revised to reflect this treatment of facilities.

We also respectfully ask the Commission to accept the Congestion Management proposal (subject to removal of the use of market clearing prices for congestion clearing) as a regionally formulated alternative to Standard Market Design subject to the further development mentioned above. The Commission's acceptance of this proposal would move the RTOWest area down the road to an active RTOWest while recognizing the unique nature of the RTOWest's hydro power and transmission systems. We further ask the Commission to revise the Congestion management proposal to use "asbid" prices for payment of congestion clearing instead of a market clearing price. Use of the market clearing price will encourage gaming and market manipulation and cost the all RTOWest users more than "asbid" prices.

We also ask the Commission to defer any decision on the Scheduling Coordinator Agreement as it is incomplete. The Scheduling Coordinator Agreement can be overridden by the RTOWest tariff and the tariff does not exist yet. Since this agreement will be a critical agreement in

transmission customers' use of the RTOWest system, more information is needed before we can comment on this document.

We appreciate this opportunity to comment and look forward to continuing collaborative work on the RTOWest implementation.

Dated: May 29, 2002

Respectfully submitted,

PNGC Power

By/s/Aleka Scott

Aleka Scott
Transmission Manager for PNGC Power

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding (RM01 -35).
Dated at Portland, Oregon, this 29th day of May, 2002.

Aleka Scott
PNGC Power
711 N.E. Halsey, Suite 200
Portland, OR 97232
(503) 288 -1234